

Message Text

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ORIGIN ARA-10

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R 202347Z AUG 76
FM SECSTATE WASHDC
TO AMEMBASSY NASSAU

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E.O. 11652: N/A

TAGS: EFIN, CFED, BF

SUBJECT: IRS PROCEDURES IN BAHAMAS

REF: NASSAU 554

1. IRS COMMISSIONER ALEXANDER HAS GIVEN AGREEMENT TO INTER-
IM GUIDELINES PROPOSED REFTEL AND ADDED FOLLOWING COMMENTS:

A. WITH REFERENCE TO ALL IRS ACTIVITIES IN THE BAHAMAS
BEING COORDINATED AND CARRIED OUT BY THE IRS ATTACHE
ACCREDITED TO GCOB, IT SHOULD BE NOTED THAT THIS WILL BE
DONE UNDER THE CONTROL AND GUIDANCE OF THE DIRECTOR OF
INTERNATIONAL OPERATIONS. WHEN USE OF OTHER IRS PERSONNEL
IS NECESSARY, SUCH ACTION WILL BE DISCUSSED AND CLEARED
WITH THE DEPARTMENT AS SET FORTH IN THE TELEGRAM (REFTEL).

B. WE HAVE NOTED THE RESTRICTIONS IN PARAGRAPH 9 (REFTEL)
RELEVANT TO CONTACTS WITH INFORMANTS. WE MUST POINT OUT
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THAT SECTION 7214 (A) (8) OF THE INTERNAL REVENUE CODE

PROVIDES THAT ANY IRS EMPLOYEE, HAVING KNOWLEDGE OR INFORMATION REGARDING A VIOLATION OF THE INTERNAL REVENUE CODE, WHO FAILS TO REPORT SUCH INFORMATION, SHALL BE SUBJECT TO DISMISSAL AND UPON CONVICTION, TO IMPRISONMENT AND FINE. WE BELIEVE THIS REQUIRES OUR PEOPLE TO ACCEPT AND REPORT

INFORMATION, RELEVANT TO THE TAX AFFAIRS OF US TAXPAYERS, WHEN AND WHEREVER OFFERED, WHETHER FROM INFORMANTS OR OTHERWISE. HOWEVER, PENDING THE DEVELOPMENT OF THE OPERATING RULES, IRS WILL NOT ATTEMPT TO ESTABLISH CONFIDENTIAL INFORMANTS IN THE BAHAMAS.

2. DEPARTMENT NOTES REFERENCES IN REFTEL AND IRS LETTER TO QUOTE IRS ATTACHE ACCREDITED TO GCOB END QUOTE AND TO REQUEST PARAGRAPH 5 (D) REFTEL THAT IRS PROVIDE VIEWS ON FEASIBILITY OF HAVING PERMANENT IRS REPRESENTATIVE STATIONED AT EMBASSY NASSAU. IRS IS CONSIDERING NEED FOR POSITION IN NASSAU BUT HAS NOT YET MADE REQUEST THROUGH TREASURY TO STATE DEPARTMENT. IN THE MEANTIME, IRS INTENDS TO HANDLE ANY INVESTIGATIONS IN BAHAMAS WITH AGENTS FROM WASHINGTON UNDER CONTROL OF DIRECTOR OF INTERNATIONAL OPERATIONS.

3. IF EMBASSY CONCURS, IRS WILL BEGIN PROCESSING BACKLOG OF CASES REQUIRING INVESTIGATIONS IN BAHAMAS, INCLUDING ARRANGEMENTS WITH DEPARTMENT AND EMBASSY FOR SENDING TDY AGENT TO NASSAU IN NEAR FUTURE.

4. EMBASSY IS AUTHORIZED TO DISCUSS INTERIM OPERATING PROCEDURES WITH GCOB. HOWEVER, EMBASSY SHOULD MAKE CLEAR THAT THESE PROCEDURES ARE SUBJECT OF INTERNAL AGREEMENT BETWEEN USG AGENCIES AND ARE NOT SUBSTITUTE FOR BILATERAL AGREEMENT SUGGESTED BY PRIME MINISTER PINDLING AND WHICH WE HAVE UNDER ACTIVE CONSIDERATION. (FYI, DEPARTMENT HAS NOW RECEIVED FROM TREASURY DRAFT OF PROPOSED TREATY WHICH IS STILL UNDER DISCUSSION BETWEEN TREASURY AND IRS. DEPARTMENT WILL TRANSMIT TEXT AS SOON AS IT IS CLEARED BY THOSE AGENCIES.) KISSINGER

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